COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN INVESTIGATION OF THE IMPACT OF THE FEDERAL ENERGY REGULATORY COMMISSION'S ORDER 636 ON KENTUCKY CONSUMERS AND SUPPLIERS OF NATURAL GAS	)	ADMINISTRATIVE CASE NO. 346

O R D E R

IT IS ORDERED that the original and 12 copies of the following information shall be filed by the indicated parties with this Commission no later than 20 days from the date of this Order, with a copy to all parties of record. If the information cannot be provided by the stated date, a motion for an extension of time should be submitted stating the reason a delay is necessary and a date by which the information will be furnished. Such motion will be considered by the Commission.

The following questions should be answered by all non-LDC parties that have intervened in this proceeding. Other parties to this proceeding who wish to do so may provide answers to any of the following questions:

1. Does a level playing field exist in Kentucky between LDCs that market gas to large volume end-users (either directly or through an affiliate) and non-LDC companies that perform the same services? Explain.

2. What, if any, existing practices of LDCs may prevent gas transportation customers from realizing the goals of Order 636?

3. What policies or regulations of the Commission, if any, may prevent LDC customers from having their own gas transported over the LDC's facilities? Are statutory changes needed?

4. What obstacles, if any, prevent greater utilization of Kentucky-produced gas by gas transportation customers of LDCs?

5. In what manner will the capacity release provisions of interstate pipeline restructuring plans allow a non-LDC to compete with LDCs in Kentucky to serve large volume end-users?

6. How important are flexible receipt and delivery points on an LDC's system to gas transportation customers?

7. When a large volume end-user physically bypasses its LDC with service from another party, how can the cost shift to the LDC's remaining ratepayers (due to the lost load) be minimized? In such a situation, should the end-user be assessed an exit fee? How should this fee be set?

8. If LDCs implemented reservation or exit fees, what would be the impact on existing transportation customers?

9. With regard to the physical bypass of an LDC by an existing large volume customer, what role should a long-run marginal cost analysis play in assessing the potential for such a bypass? What factors should be included in such an analysis?

10. Given the historical basis on which the Commission has approved LDC gas transportation rates and assuming that Order 636 will increase competition faced by LDCs for large volume customers, what changes in rate design are needed to keep such customers on the LDC system?

Done at Frankfort, Kentucky, this 8th day of June, 1993.

PUBLIC SERVICE COMMISSION

For the Commission

ATTEST:

Executive Director